

MASON STEVENS CREDIT FUND

FUND FEATURES

Global Investment Grade Bonds
Diversified Fixed Income portfolio
Regular income
Capital stability

RATED BY



Fund performance as at 31 May 2020 ¹							
	1mnth	3mnths	6mnths	1yr	3 yrs	5yrs	Since incep
	(%)	(%)	(%)	(%)	(%pa)	(%pa)	(%pa)
Fund	0.98	-3.08	-1.81	1.80	2.78	3.83	5.37
Benchmark	0.02	0.08	0.27	0.75	1.26	1.47	1.76
Excess Return	0.96	-3.16	-2.08	1.05	1.52	2.36	3.61

Pricing	
NAV	\$0.9962
Entry price	\$1.0012
Exit price	\$0.9912
Distribution	\$0.0000

Past performance is not a reliable indicator of future performance.

¹ Fund returns are calculated using the exit price (including sell spread), net of fees, assuming reinvestment of distributions and excludes franking credits and are calculated from the Fund's inception date of 31/05/13. The Benchmark is the RBA cash rate. Excess return equals fund returns minus the benchmark. Target return is 2.5% + RBA cash rate after fees and expenses. Individual returns will vary depending on date of initial investment.

PORTFOLIO REVIEW

The Fund delivered a net return of 0.98% for the month of May, taking the 1-year return to 1.80%.

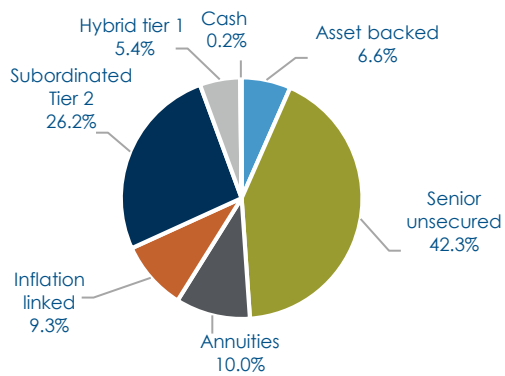
The positive return for the month of May was primarily driven by further credit spread tightening in the investment grade (IG) bond market, fuelled by accommodative global central bank monetary policy. The largest contributing factors to the month's positive performance was the tightening spreads of non-financial IG corporate bond holdings in the Fund, as well as continuing spread contractions in financial subordinated Tier- 2 IG bonds. In addition, bonds with longer credit duration profiles also contributed to performance.

The Fund also found value in selected primary issuances in the month of May and was able to capture some of the new issue premiums.

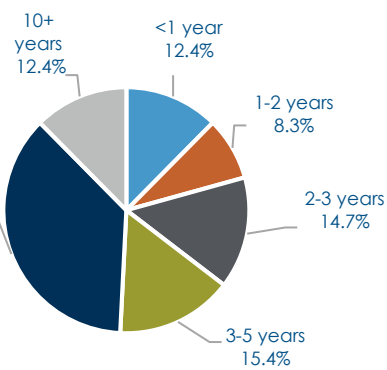
The Fund is well positioned with 63% of the portfolio in Financial IG bonds, which we expect will continue to benefit from accommodative global central bank monetary policy. Hence, we expect the Fund's performance to continue to improve in the coming months.

Morningstar: Mason Stevens Credit Fund received a 4 Star Overall Morningstar Rating™ out of 60 Multi-Strategy Income Funds as of 31/05/2020. © 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. **SQM:** The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme

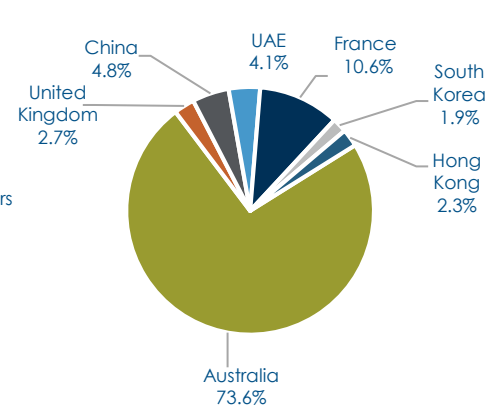
PORTFOLIO COMPOSITION



EXPECTED MATURITY²



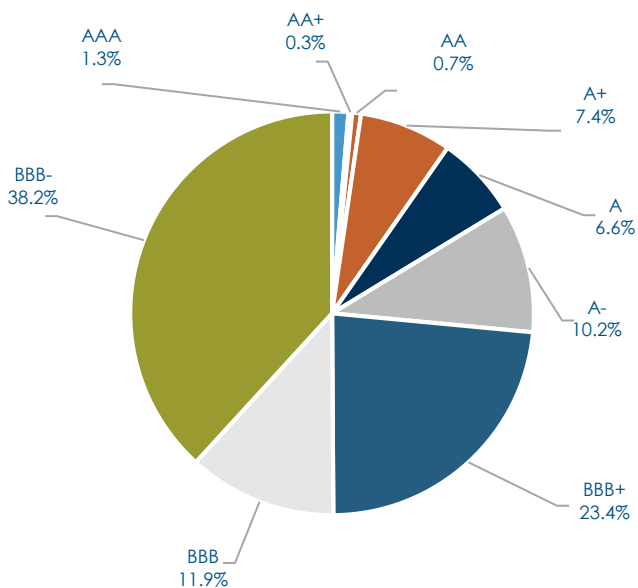
GEOGRAPHICAL EXPOSURE³



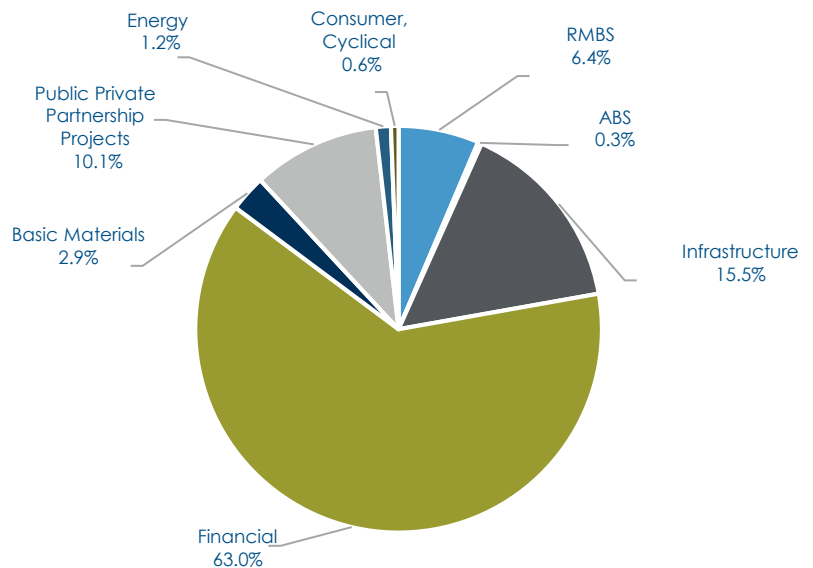
² Expected maturity calculated through using the next call date, or if unavailable, the legal maturity date.

³ Geographic exposure sourced from Bloomberg issuer location.

RATING



INDUSTRY



MARKET REVIEW

Financial market sentiment continued to improve in the month of May on the back of economies re-opening, positive developments in vaccine trials and the continuation of extensive economic stimulus programs from global central banks and governments.

Performance of major credit and equity indices

Market Indices	Price (29/5/20) (\$)	May Performance (%)	April Performance (%)	March Performance (%)	12-Month Performance (%)
ASX200	5755.70	+4.2	+8.8	-21.2	-10.0
AusBond Credit FRN ⁴	2752.66	+0.3	+0.8	-0.9	+1.7
AUD/USD	0.6667	+2.4	+6.2	-5.9	-3.9
ISHARES US IG ETF ⁵	132.02	+2.2	+4.6	-6.6	+9.3
ISHARES US HY ETF ⁶	82.42	+2.5	+4.4	-10.4	-2.9

⁴ Bloomberg Ausbond Credit Floating Rate Notes 0+ Yr Index

⁵ iShares IBoxx \$ Investment Grade Corporate Bond ETF

⁶ iShares IBoxx \$ High Yield Corporate Bond ETF

Equity and credit markets have continued to rally strongly in the month of May, with the ASX gaining 13.4% and the Bloomberg AusBond Credit Floating Rate Notes 0+ Yr Index recovering to pre COVID-19 levels.

Upcoming weak economic data and corporate earnings could curb market optimism

However, weak economic data with record high unemployment rates, increasing geo-political risks in US-China trade tensions and concerns about a second wave of COVID-19, could undermine the speed and pace of global economic recovery and may curb market optimism in the coming months.

Credit market investors remain cautious due to uncertainties in corporate earnings outlooks, concerns regarding high levels of government debt, rising high-yield debt default rates and the fragility of economies to further lockdowns. Meanwhile, global central banks will likely continue accommodative policies until business and consumer confidence is fully recovered.

Global macroeconomic data for March quarter 2020

Country	CPI (%)	Unemployment (%)	Real GDP (% QoQ)	Public debt (% of GDP)
Australia	2.2	6.2*	-0.3	59.4
China	3.3*	3.6**	-9.8	64.9
Germany	0.6*	5.3*	-2.2	68.7
United Kingdom	0.8*	3.9	-2.0	95.7
United States	0.3*	14.7*	-5.0	131.2

Source: Bloomberg, IMF

*April 2020

**Dec 2019

Pick up in IG primary issuance activities

Primary bond issuance started up once again in the Australian IG bonds market. Notable issuers in the IG bond market in the month of May included financials such as Macquarie Bank, Credit Suisse, UBS and BNP Paribas.

Primary issuance activities in non-financial corporates and residential mortgage backed securities will also pick up in the coming months.

Investors continue to put emphasis on liquidity trades and focus on "name specific" issuers. Issuers who are well known or with repo eligible bond status are well bid and expected to perform strongly in the secondary market.

Portfolio Positioning

The Fund has maintained an overweight position in financials, infrastructure and public private partnership sectors and maintains a cautious outlook on non-financial corporate bonds.

The Fund continues to see value in selective primary issuances and will participate in issuances that have strong secondary market support.

Meanwhile, the Fund will continue to reposition the portfolio towards higher credit quality and drive portfolio return through investing in IG securities with superior risk adjusted return.

INVESTMENT OBJECTIVE & STRATEGY

The Mason Stevens Credit Fund aims to generate returns in excess of 2.5% p.a. above the RBA Cash rate after fees and expenses. The Fund invests in a portfolio of interest rate securities that pay a fixed or floating rate of return.

The Fund can invest in any interest rate securities, primarily investment grade, with no more than 5% of the assets being comprised of securities that are below investment grade. The securities must be rated by a reputable rating agency.

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[Read our PDS](#)

FUND STATISTICS

Interest rate duration ⁷ (years)	0.35
Spread duration ⁸ (yrs)	4.36
Current yield to maturity ⁹ (pa)	3.72%
Official cash rate (pa)	0.25%
Average credit rating ¹⁰	BBB+

KEY FEATURES

Minimum investment	\$25,000
Applications & redemptions	Monthly
Management costs	0.94% pa
Distributions	Quarterly
Buy/sell spread ¹¹	+0.50%/-0.50%

PLATFORM ACCESS

Mason Stevens	✓
uXchange	✓

⁷ Interest rate duration refers to the sensitivity of the price of the bond portfolio to changes in interest rate

⁸ Spread duration refers to the sensitivity of the price of the bond portfolio to changes in the bond spread

⁹ Yield to maturity is the estimated annual rate of return of a bond if held until maturity.

¹⁰ Average portfolio credit rating is calculated through a weighted average of available average debt ratings from Moody's, S&P's and Fitch

¹¹ Buy/sell spread is retained in the fund to cover transaction costs associated with entry/exit to the fund. For further information please refer to the PDS.